

Message Text

SECRET

PAGE 01 OTTAWA 02664 100250Z

64

ACTION EUR-25

INFO OCT-01 ISO-00 SS-20 NSC-10 ACDA-19 OMB-01 IO-14 EB-11

MC-02 COME-00 DODE-00 CIAE-00 PM-07 INR-10 L-03

NEA-10 NSAE-00 PA-04 RSC-01 PRS-01 SPC-03 USIA-15

TRSE-00 SAJ-01 DRC-01 /159 W
----- 085814

O R 082240Z NOV 73

FM AMEMBASSY OTTAWA

TO USMISSION NATO BRUSSELS IMMEDIATE

ATE 639

INFORAEHC/SECSTATE WASHDC 2064

USCINCEUR

XUSNMR SHAPE

USLOSACLANT

SECRET OTTAWA 2664

CORRECTED COPY (INFO ADDEE TO READ USLOSACLANT
VICE SACLANT)

E.O. 11652: GDS

TAGS: MCAP, NATO, CA

SUBJECT: CANADIAN FORCES FOR NATO

REF: USNATO 5357

EMBASSY CONCURS IN USNATO'S BASIC ASSESSMENT (REFTEL)
OF CANADIAN FORCE PLANS AS CONTAINED IN DPQ (73) AND
OFFERS FOLLOWING ADDITIONAL COMMENTS:

1. AS NOTED REFTEL, CANADIAN FIVE-YEAR DEFENSE
PLAN ANNOUNCED IN OCTOBER BY DEFMIN RICHARDSON CALLS
FOR ANNUAL INCREASE IN DEFENSE BUDGET OF 7 PERCENT.
WE ESTIMATE THAT INFLATION LIKELY TO REACH 5 TO 6
PERCENT IN 1974 AND MAY WELL STABILIZE
AT 4 PERCENT LEVEL IN CANADA DURING 1975-78 PERIOD.

SECRET

SECRET

PAGE 02 OTTAWA 02664 100250Z

REAL GROWTH IN DEFENSE SPENDING MIGHT THEREFORE

BE 3 PERCENT AND NOT 2 PERCENT SUGGESTED REFTEL.

WE BELIEVE GOC USING INFLATION FIGURE OF 4 PERCENT OR LOWER IN DETERMINING 7 PERCENT RATE OF ANNUAL INCREASE IN DEFENSE BUDGET AND WE HAVE BEEN ASSURED THAT IF INFLATION IS HIGHER THAN HAD BEEN PROJECTED, THAT CABINET WOULD BE ASKED TO REVIEW AND REVISE DEFENSE BUDGET ACCORDINGLY. WE BELIEVE IT WOULD BE USEFUL TO TRY TO PIN DOWN CANADIANS ON THIS POINT AND, IF POSSIBLE, TO OBTAIN A COMMITMENT THAT DEFENSE BUDGET WILL BE REVIEWED IF ANNUAL INFLATION REACHES RATE OF 4 PERCENT OR HIGHER DURING 5 YEAR BUDGET PERIOD.

2. OUR ESTIMATE IS THAT CANADA WILL CONTINUE TO EXPERIENCE GROWTH IN NOMINAL GNP OF ABOUT 10 PERCENT PER YEAR THROUGH 1978. PROJECTING A GROWTH OF 7 PERCENT IN THE DEFENSE BUDGET IN THIS PERIOD YIELDS A STEADY DECLINE IN THE "DEFENSE AS A PERCENTAGE OF GNP" LEVEL FROM 2.2 PERCENT IN 1974 (FY 1973-74 DEFENSE BUDGET OF 2.498 MILLION - CY 1973 GNP 115,000 MILLION) TO 1.9 PERCENT OF GNP IN 1978. WE AGREE THAT USNATO SHOULD EXPRESS DISAPPOINTMENT IN THIS DISCOURAGING TREND.

3. UNDER NEW FINANCING FORMULA, CANADA HAS ALREADY SET FOR ITSELF OBJECTIVE OF INCREASING PERCENTAGE OF BUDGET DEVOTED TO NEW EQUIPMENT AND FACILITIES. CANADIAN FIGURES SHOW THAT 11 PERCENT OF BUDGET CURRENTLY DEVOTED TO NEW EQUIPMENT AND FACILITIES. OBJECTIVE IS TO INCREASE THIS TO 20 PERCENT BY THE END OF THE 70'S. (FYI: IN THIS REGARD, RICHARDSON HAS ALREADY ANNOUNCED PLANS TO REPLACE AGING FLEET OF 3/4-TON TRUCKS.) MISSION MAY WISH TO ASK CANADIANS ABOUT DELAY IN REPLACEMENT OF CENTURION TANKS.

4. WE UNDERSTAND GOC HAS DELAYED TEMPORARILY ITS DECISION TO SELECT TWO CONTENDERS FOR PRODUCTION OF THE LRPA REPLACEMENT FOR THE ARGUS AIRCRAFT. WHILE EXTENT OF DELAY IS UNKNOWN, IT MIGHT BE USEFUL TO INQUIRE ABOUT
SECRET

SECRET

PAGE 03 OTTAWA 02664 100250Z

STATUS OF ARGUS REPLACEMENT SCHEDULE AND EXPRESS MILD CONCERN OVER PRESS REPORTS OF SLIPPAGE IN SCHEDULE.
SCHMIDT

SECRET

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MILITARY EQUIPMENT, GNP, ARMED FORCES, MILITARY BUDGET
Control Number: n/a
Copy: SINGLE
Draft Date: 08 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973OTTAWA02664
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: OTTAWA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731147/aaaabicx.tel
Line Count: 110
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: USNATO 5357
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 15 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15-Aug-2001 by kellerpr>; APPROVED <03-Oct-2001 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CANADIAN FORCES FOR NATO
TAGS: MCAP, CA, NATO
To: NATO BRUSSELS
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005